

## ***APPENDIX I – LEVERAGING IMPACT: THE PRIVATE SECTOR RESOURCE REQUIREMENT***

### **Increased Impact via Private Sector Engagement and the Application of Private Sector Expertise, Capabilities, Assets and Resources<sup>68</sup>**

**A. Core Perspective: Leveraging Impact** In an effort to foster development of [market-based or market-informed approaches](#), enhance the prospects of sustainable development impact, ensure GDAs based upon core business interests, and encourage extensive private sector engagement and collaboration, GDAs must engage the private sector as a CORE partner and mobilize and effectively apply significant private sector resources, assets, capabilities and expertise.

More specifically, the mobilized resources and expertise must support and be applied to the GDA in a manner that clearly fosters extensive and important results – for the private sector and USAID. GDAs require high-impact private sector resource contributions and investments. While the private sector leverage is an input to the implementation of a GDA, the leverage is only valuable to USAID if it drives greater development outcomes, results and impact.

*If the proposed private sector resource contributions do not advance the interests of the private sector partner(s) and significantly increase the reach, efficiency, effectiveness and sustainable impact of USAID’s investments, they will not count towards meeting the private sector leverage requirement.*

USAID is seeking to maximize cost-efficient development impact. While private sector resources are programmatic inputs to a GDA, USAID and the GDA partners should identify, mobilize and apply private sector expertise, capabilities, and resources (both cash and in-kind) based on how such expertise, capabilities and resources will expand the reach, efficiency, effectiveness and sustainable impact of the GDA. While the leveraged resources are inputs, the purpose of these resources is impact.

The resources and contributions mobilized from the private sector should, in combination with the support requested from USAID, provide the GDA with a comparative advantage (over not using a GDA) in achieving significant and sustainable impact with regard to the targeted development challenge or opportunity.

All partners to a GDA should understand, be able to articulate, and work to ensure the unique contributions and value that the private sector resources and partners bring to the project and how such contributions and value will help produce significant development results better, faster, and/or more cost effectively, and with a greater chance of long-term sustainability.<sup>69</sup>

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<sup>68</sup> If resources mobilized to advance a GDA do not satisfy the criteria set forth in Appendix I, Sections A, B, C and D, they will not count toward the private sector leverage requirement.

<sup>69</sup> The Agency recognizes, expects and advocates that the private sector contributions and resources should advance the core interests of the private sector partner. Indeed, [seeking the intersection between those core interests and USAID’s development objectives is a critical aspect of the GDA model](#). At the same time, USAID resource investments are not unconditional subsidies to the private sector or substitutes for private sector investments that would otherwise be made in the absence of USAID’s resources. The Agency’s resources work in combination with the private sector resources; this enables the partners to better achieve a set of outcomes, results and impacts that

When considering various types of private sector contributions that might be used to achieve the business and development objectives of a potential GDA, while also meeting the private sector leverage requirements set forth in this APS, GDA partners should work together to determine the outcomes, results and impact that would likely result from applying those resources and contributions and which resources and contributions offer the greatest value proposition.

Different sets of private sector resources and contributions may have the same dollar value, but may have very different implications for the quality and quantity of results and impact achieved via a GDA. USAID will prioritize potential GDA investments based on which private sector partners and resources offer the greatest prospect and value with regard to advancing market-based and private sector-led development and increasing the scale, efficiency, effectiveness and sustainable impact of USAID's development investments.

**B. The Equal or Exceeds Requirement** Unless otherwise determined by USAID or indicated by [Section C](#) of this Appendix, the value of private sector resources, assets, capabilities and expertise contributed as inputs to a GDA and the activities implemented under the GDA must equal and, in general, should significantly exceed the value of resources provided by the USG.

For example, if USAID awards \$1 million to support a GDA, the array of assets, expertise, capabilities and resources contributed by the private sector partner(s) must have a value equal to \$1 million and will preferably have a value significantly greater than \$1 million. In addition, if other USG agencies or entities provide funding to support a GDA, private sector leverage typically must also equal or exceed the level of funding provided by those agencies. If USAID provided \$1M and the State Department provided \$1M, the USG contribution would be \$2M and the private sector leverage would need to equal or exceed \$2M.<sup>70</sup>

In practice, the level of resources mobilized by and from the private sector has historically been roughly three times the level of resources contributed by the USG. This reflects the fact that GDAs are co-created with the private sector. They reflect and advance the core business interests of the private sector and thereby earn and warrant private sector contributions.<sup>71</sup>

The GDA APS is **NOT a matching grants program**. Meeting the private sector leverage requirement is not a narrow accounting or fundraising exercise in which applicants piece together enough resources and contributions to reach a particular number or ratio. Rather, it is an effort to identify the programmatic inputs from the private sector that will most effectively

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better advance each of the partner's respective interests, while also fostering a broader social and economic good, asset or situation that others can draw upon to advance social and economic development.

<sup>70</sup> Support from the United States Development Finance Corporation may or may not count toward the level of USG funding that must be equaled or exceeded by private sector resource contributions under a GDA. This will be determined on a case by case basis. In either case, the determination requires consultations with and approval by the GDA APS Activity Manager.

<sup>71</sup> Depending on the nature of the USG funding, and the nature of the GDA being co-created by USAID and the private sector, USAID might make an exception to the requirement that the private sector leverage must equal or exceed all USG funding being contributed to the GDA. Any such exception would have to be consistent with the considerations set forth in [Appendix I, Section H](#) and other portions of this APS. In addition, any such exception is wholly at USAID's discretion and entities seeking an award of USAID funding should not request or seek such an exception. USAID will determine whether or not such an exception should be considered.

increase the impact of USAID's development assistance and the success of the GDA for USAID and the private sector.<sup>72</sup>

### **C. Increased Leverage Requirements regarding Funding Intended for Loans and**

**Investment** Given USAID's strong interest in building private sector collaborations that mobilize finance, including loans and equity investments, private sector funding that will be used for loans and equity investments can count toward the private sector leverage requirement. Such funding would need to meet all the private sector leverage requirements set forth in this Appendix and the GDA APS, as well as the additional requirements set forth below.

**1. Consultation/Clearance** - The USAID Mission/B/IO consults and receives clearance from the GDA APS Activity Manager ([gda@usaid.gov](mailto:gda@usaid.gov)). This is aimed at fostering linkages and learning advantageous to the proposed GDA, informing future revisions to and activity under the GDA APS, and supporting learning related to the implementation of USAID's PSE Policy.

**2. Higher Leverage Requirements** - The value of the funding to be used for loans or equity investments should be at least five times greater than the value of funding USAID will contribute to the GDA. However, Missions/B/IOs may wish to consider lower levels of funding in light of additional development considerations and the particular GDA in question. If that's the case, Missions/B/IOs should communicate the rationale for considering lower levels of loan or investment funding when seeking clearance from the GDA APS Activity Manager.<sup>73</sup>

**3. Engagement and Shared Understandings** – USAID and the entities providing the funding should engage in extensive communication, robust collaboration and joint activity design and development. Each entity providing lending or investment funding, as well as USAID, should understand and be able to articulate the shared and respective roles, responsibilities, risks and rewards facing the GDA partners. Given the GDA MOU requirement, core entities involved in providing funding generally should be participants in the pertinent GDA MOU with USAID.<sup>74</sup>

**4. Due Diligence** – Even if entities providing funding for loans or equity investments will not be participants in a GDA MOU, the Mission/B/IO will conduct due diligence aimed at ensuring that the entities providing funding are employing practices consistent with a commitment to responsible lending and investing. This can be demonstrated in various ways, such as being a signatory to well-regarded responsible investment/lending protocols or responsible investing/lending standards.

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<sup>72</sup> While some prospective applicants to this APS sometimes express concerns or anxieties about meeting the requirement, past experience demonstrates that proactive collaboration with the private sector to determine the most effective way to address a core business interest and critical development challenge typically reveals a variety of resources, capabilities, expertise and other assets that can be mobilized and leveraged to advance the success of the GDA, typically at levels that are nearly three times greater than the value of funding provided by USAID. Prospective applicants and GDA partners should focus on identifying the core interests of the private sector partners, the business challenge and development problem to be solved, and the array of expertise, assets, and working relationships the various partners can mobilize to develop and apply a high impact solution.

<sup>73</sup> Given the fact GDAs have historically leveraged private sector resources at a nearly three to one ratio, without counting funding intended for loans or equity investments, it is reasonable to require that the value of funding for loans or equity investments be five times the value of USAID's contribution. This is especially the case given the level of funding for loans or equity investments increasingly becoming available in developing countries.

<sup>74</sup> In many cases, myriad entities are participating in a fund or mechanism through which financing is being provided. While USAID typically will need to know the entities participating in the fund, the engagement requirement applies to the entities USAID deems are core to the successful mobilization of the financing and the design and implementation of the GDA.

**5. Inputs versus Outcomes** – In order to count toward the private sector leverage requirement, funding used to make loans or equity investments must be INPUTs to the GDA and the activities implemented under the GDA. Actual or projected returns on loans, equity investments and other outcomes of the financing that are not employed as inputs to the GDA cannot count toward the leverage requirement. In addition, if funding intended for lending or equity investments is going to count toward the requirement, it should be identified early and provide basis for partners to reasonably rely upon such funding in the design and implementation of activities under the GDA. USAID recognizes such funding may be mobilized, applied, loaned or invested in tranches over the course of the GDA, but should be identified from the outset, incorporated in the design and serve as an input to implementation. Questions can be sent to [gda@usaid.gov](mailto:gda@usaid.gov).

**6. Funding “At Risk”** - The funding in question must be “capital at risk.” For example, if a lender provides \$2 million for loans, but \$1 million is guaranteed against default, then the lender is only placing \$1 million (\$2M - \$1M) “at risk.” Therefore, only \$1 million of funding intended for loans could be counted toward the private sector leverage requirement.

**7. Prohibitions** - Financing provided under a US DFC or DCA activity, or that is a direct outcome or result of a US DFC or DCA activity, typically cannot be counted toward the private sector leverage requirement. Loan guarantees are also typically not eligible.<sup>75</sup>

**D. What Counts as Private Sector Leverage** In order to count toward the private sector leverage requirement, the contributions and resources mobilized from the private sector must offer the impact and value proposition discussed in [Section A](#) of this appendix and satisfy the criteria set forth below.

**1. Cash and In-Kind Contributions** - In practice, leverage is typically a combination of cash and in-kind contributions. Generally, a minimum of 25% of the private sector resources and contributions should be in the form of cash. USAID may consider lower levels of cash if the alternative resources and contributions clearly offer greater results and impact. However, higher levels of cash may be preferred given the flexibility cash provides with regard to supporting GDA activities. In addition, and depending on the GDA ideas in question, the partners involved, and other circumstances and considerations, Mission/B/IOs may seek higher levels of cash contributions either as part of an applicant’s concept submission or, if warranted, an applicant’s full application. In all cases, USAID and the private sector will seek the combination of cash and in-kind resources that best advances the objectives of the GDA.

A cash contribution is a transfer of funding from the private sector entity to a wholly separate entity to pay for goods, services or other matters that will be used to implement activities under the GDA or a transfer of funding to be used in making loans or equity investments under a GDA. A transfer of funding to subsidiaries or employees of the private sector entity do not count as cash contributions.

Examples of in-kind contributions that USAID **might** count toward the requirement include:

- Commodities<sup>76</sup> such as drugs, foodstuffs or equipment

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<sup>75</sup> If USAID personnel have questions related to US DFC, Development Credit Authority (DCA) and private sector leverage, they should contact the GDA APS Activity Manager at [gda@usaid.gov](mailto:gda@usaid.gov).

<sup>76</sup> Note that the GDA APS should not be used to solicit funds for transportation of donated commodities.

- Use of training or other purpose-specific facilities necessary to a program's implementation
- Value of time donated by technical consultants or company employees whose work and expertise are necessary to a project<sup>77</sup>
- Value of salaries for staff dedicated to a project
- Technology, communications and capital assets
- Intellectual property rights
- Licenses<sup>78</sup>

**2. Attribution and Additionality** - In order to be considered as potential private sector leverage, the private sector contributions to a GDA must:

- a) support and advance the objectives and activities of the GDA in question;
- b) be based upon and result from the active engagement of the private sector partner in the design and development of the proposed GDA in question;
- c) have a proposed use that is attributable to the private sector entity's anticipated or actual engagement with USAID; and
- d) be provided or applied in a manner that is qualitatively and/or quantitatively different than what the entity would have done in the absence of anticipated or actual engagement with USAID.<sup>79</sup>

**3. Nature and Origin** - The contributions and resources must be private in nature and origin;<sup>80</sup> they must come from a critical and core partner to the GDA;<sup>81</sup> and they must come from one or more of the following sources:

- a) Private for-profit, commercial entities such as a business, corporation, small or medium enterprise or private firm;
- b) Private foundations affiliated with private for-profit, commercial entities;<sup>82</sup>

<sup>77</sup> While USAID recognizes volunteers can add value to GDA implementation, the value of volunteer time does not count as private sector leverage unless it is provided by employees or technical consultants who work for or with one of the private sector entities listed in [Section II.B](#) and is provided in their professional capacity.

<sup>78</sup> Questions regarding the valuation of in-kind resources can be directed to [gda@usaid.gov](mailto:gda@usaid.gov).

<sup>79</sup> Organizations such as NGOs or HEIs often ask whether or not previous private sector contributions to support the NGO's or HEI's broad mission, sector initiative or focus area can count toward the private sector leverage requirement. The answer is no. Such contributions do not meet the attribution and additionality standard.

<sup>80</sup> Funding from government agencies does not count toward meeting the private sector leverage requirement.

<sup>81</sup> Note: under this APS, traditional implementing partners, such as NGOs or HEIs, regardless of whether the HEI is private or public, are often vital core partners to a GDA. However, they do not satisfy the source criteria set forth in D.3. As a result, resources contributed by such traditional implementing partners would not satisfy the Nature and Origin criteria set forth in this section and would not count as private sector leverage. (However, such resources could be counted toward the overall leverage achieved by a GDA). With regard to traditional implementing partners and their valuable assets and expertise, this APS seeks to promote their extensive outreach to and engagement of the private sector partners listed in D.3 so as to identify ways in which our collaborative efforts and our diverse assets and expertise can increase the reach, efficiency, effectiveness and sustainable impact of our joint and respective development investments. This should help all of us (USAID, our traditional implementing partners, and the private sector) better develop and implement innovative and highly effective development solutions.

<sup>82</sup> Examples: Coca-Cola Foundation; Gap Foundation; Mastercard Foundation. Previous versions of the GDA APS also included grant-making foundations not affiliated with private for-profit, commercial entities as private sector. However, USAID anticipates issuing [addenda](#) under this GDA APS specifically aimed at working with such foundations to advance private sector engagement in the development and implementation of [market-based approaches](#). Any such addendum will provide clear considerations and parameters to guide such collaboration.



- c) Private equity or private financial institutions, including banks, private investment firms, mutual funds, private equity funds and insurance companies;<sup>83</sup>
- d) Private business or industry associations, including but not limited to chambers of commerce and related types of entities;<sup>84</sup> or
- e) Cooperatives.

**4. Value Proposition and Development Impact** - The resources and contributions from the private sector should, in combination with the support requested from USAID, provide the GDA with a comparative advantage (over not using a GDA) in achieving significant and sustainable impact on the targeted development challenge. All partners to the GDA should understand and be able convey the unique contributions and value that the private sector partners and resources bring to the project and how such contributions and value will help produce significant development results better, faster, and/or more cost effectively, and with a greater chance of long-term sustainability.<sup>85</sup>

**5. Measurable** - The resources and contributions must be something of value that can be measured in a way that permits evaluation of their impact on achieving desired results.

**6. Timing and Reliability of Private Sector Resource Commitments and Contributions** - Questions often arise regarding the timing and reliability of the private sector resource commitments and contributions. In order for a GDA to be formed, and in order for USAID to make an award that supports implementation of activities under a GDA, the private sector partner(s) must make **reliable resource contribution commitments** with a value that equals and preferably significantly exceeds the value of funding requested from USAID and the USG.<sup>86</sup> However, **the actual mobilization, contribution, provision and/or application of**

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<sup>83</sup> USAID's Private Sector Engagement Policy notes that the Agency will treat "for-profit approaches" that generate sustainable income (e.g. a venture fund run by a non-governmental organization (NGO) or a social enterprise) as private sector. However, for purposes of the GDA APS, approaches involving social enterprises, as well as approaches involving investment funds, venture funds, or other types of social or commercial enterprises affiliated with, operated under or managed by an NGO or other non-profit entity, will only be treated as private sector if a USAID operating unit, working in collaboration with the GDA APS Activity Manager, develops and issues an addendum to this GDA APS that specifies objectives to work with these types of NGO-affiliated approaches and provides clear considerations and parameters to guide such potential collaboration. USAID anticipates issuing one or more such [addenda](#) over the course of this GDA APS; **interested organizations should monitor grants.gov for such opportunities**. However, if the entity (enterprise or fund) in question is fully self-sustaining based on its market activities (i.e. revenues based on sales of its goods and services or returns on investments, loans or financing), and does not receive any financial, in-kind, programmatic or operational support from the non-profit entity with which it is affiliated or other entities such as donors, international organizations, or government agencies, or individual donations, USAID may in select situations consider the entity as private sector. Please contact [gda@usaid.gov](mailto:gda@usaid.gov) with related questions.

<sup>84</sup> Such associations and entities must be private and the members must be entities, not individuals. Quasi-governmental associations would not satisfy the private sector partner requirement.

<sup>85</sup> USAID recognizes, expects and advocates that the private sector contributions and resources should advance the core interests of the private sector partner. Indeed, seeking the intersection between those core interests and USAID's development objectives is a core element of the GDA model (<http://www.usaid.gov/gda>). At the same time, USAID resource investments are not unconditional subsidies to the private sector or substitutes for private sector investments that would otherwise be made in the absence of USAID's resources. The Agency's resources work in combination with the private sector resources; this enables the partners to achieve a set of outcomes, results and impacts that advance each of the partner's respective interests, while also fostering a broader social and economic good, asset or situation that others can draw upon to advance social and economic development.

<sup>86</sup> See [Section H](#) of this Appendix for USAID's sole discretion to make an exception to the 1:1 requirement under extremely limited circumstances.

**the resources can take place at any time during the development or implementation of the GDA.**

So long as the contributions and proposed application of the resources satisfy the requirements of the GDA APS and this Appendix, including but not limited to the attribution and additionality criteria noted above, the resources can be mobilized, contributed and provided at the outset of the GDA development discussions; during the subsequent GDA development efforts; at the time of or subsequent to the signing of the GDA MOU or USAID's agreement with an implementing partner whose work will implement activities under the GDAs or during the implementation of the GDA or specific activities under the GDA.<sup>87</sup> Private sector resources may be mobilized, contributed and provided throughout the GDA and partners may elect to stage the contributions.

**Regardless of timing, the expected mobilization, contribution, provision and application of the resources should be reliable enough to provide USAID and other GDA partners with high confidence levels and the ability to reasonably rely upon such resources in the design, planning and implementation of activities under the GDA.** If there are questions regarding the reliability of the resource commitments, USAID may forego the GDA until reliability matters are resolved and/or seek to develop award agreements that make USAID funding and participation in the GDA conditional on the private sector contributions materializing and being applied as expected.

**E. What Doesn't Count as Private Sector Leverage** Various types of resources cannot count toward the private sector leverage requirement. For example:

- Forgone profit or foregone revenue.
- Price discounts.<sup>88</sup>
- Value of brand, reputation, convening power or "good will."
- General overhead costs for an organization that are not directly associated with GDA activities.
- Commitments to purchase or pay a price premium for products or services generated as a result of GDA activities.<sup>89</sup>
- Resources that are outcomes of the GDA (unless those resources are subsequently contributed to GDA activities as inputs to the implementation of those activities).

While private sector resource contributions are pursued in order to increase the outcomes and impact of a proposed GDA, **the outcomes arising from the GDA do not count toward meeting the private sector resource requirement. Leverage is an input, not an outcome.** It is the private sector resource contribution made to the partnership's activities; it is not the outcome of those activities. For example, USAID and a bank may develop a partnership to

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<sup>87</sup> An exception can be made for resources provided to USAID by a private sector entity under USAID's gift authority. Such funding might be provided well before a GDA is discussed or actually developed.

<sup>88</sup> Questions regarding price discounts can be sent to [gda@usaid.gov](mailto:gda@usaid.gov).

<sup>89</sup> USAID reserves the right to explore possible exceptions to this standard prohibition. For example, there might be situations in which the markets available to producers would not offer a price premium for the goods or services in question. In such cases, the proposed price premium is providing additionality not otherwise available and might be critical to the success of the GDA or to the creation of a valuable market. By contrast, if the proposed price premium is readily available in the marketplace, the private sector partner would have to pay the premium anyway. So there's no additionality. Note: exceptions to this standard prohibition are extremely rare.

increase financial services to small businesses. The partnership's activities include small business training, awareness raising and market analysis. The bank contributes their experts' time and the production of training materials to the partnership. These contributions are inputs and would be considered "leverage" and could be counted toward the resource requirement. As a result of the activities, businesses ended up pursuing and qualifying for more loans from the bank (and other banks). The value of these loans would be an outcome of the GDA, not an input; the value of the loans would not be counted toward the leverage requirement.<sup>90</sup>

Partners sometimes try to meet the leverage requirement by proposing and counting up a number of small contributions like meeting space, training refreshments, transportation costs, etc. Such contributions do not count as leverage. Meeting the private sector resource requirement is not an accounting, fundraising or matching grants exercise. The requirement seeks to increase the impact of USAID's investments; any proposed resource or set of resources must have clear and compelling value with regard to advancing such impact and should reflect the core interests and expertise of the private sector partner(s). One must ask whether the proposed contributions (and the time it takes to track and verify them) are adding real and significant value to the GDA. If not, the contributions would fail to meet several criteria listed in this appendix and be inconsistent with the considerations and objectives discussed throughout this APS.<sup>91</sup>

**F. Resource Contributions from Other Organizations** USAID recognizes that resources mobilized from other sources may be critical to the success of a GDA, the ability to foster and advance market-based approaches and solutions, and the ability to increase the reach, efficiency, effectiveness and sustainable impact of USAID's investments. For example, contributions from host country governments and Public International Organizations (PIOs) such as the World Bank or UNDP could be vital to the scope or sustainability of GDA results. Likewise, an NGO or university with pertinent technical expertise might offer a variety of valuable contributions.

In such cases, these contributions can be counted toward the overall level of resources mobilized under the GDA, e.g. the resources leveraged from all sources. However, the mobilization of these resources does not count toward nor substitute for private sector leverage. While a GDA may leverage and mobilize a variety of other resources from a range of other sources, the private sector leverage requirement must be met through the provision of private sector resources, assets, capabilities and expertise from private sector entities listed in [Section II.B](#) of this APS.

In most GDAs, USAID enters into an agreement with and makes an award to an entity to implement and conduct activities aimed at achieving the goals and objectives of the GDA. In such situations, this awardee (often referred to as an "implementing partner") may also seek to

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<sup>90</sup> By contrast, if a private financial institution, as a result of participating in the design and implementation of a GDA, increased the capital available for making loans and subsequently provided loans as inputs to implementation of GDA activities, the funding for the loans would be eligible to be considered as private sector leverage.

<sup>91</sup> In some situations, the nature of the proposed partnership may not result in private sector contributions that equal or exceed the level of resources being requested from USAID. In those instances, the partnership may not be something that can be pursued under this solicitation (the GDA APS). However, if a prospective applicant follows the directions under this APS and connects the private sector partners to USAID from the outset, it should be possible to quickly determine whether or not a GDA concept submission will make sense. Discussions between USAID and the private sector partners might result in USAID exercising some discretion with regard to the private sector leverage requirement, at least at the concept submission stage. (See [Section H of this Appendix](#)). This is another reason it is essential that prospective partners connect potential private sector partners to USAID as soon as possible. NOTE: Applicants should NOT request an exception; the decision is wholly at the discretion of USAID.



contribute cash and in-kind resources that will shape the core activities and advance the key results, impact or strategic value of a GDA. Such resource contributions are welcomed and can significantly increase the potential results of the proposed GDA. However, they can only count toward the **private sector** leverage requirement if the entity is private sector as set forth in [Section II.B](#); the resources meet the criteria set forth in this Appendix; and the resources will not be counted and treated as cost-share under an award agreement with USAID, unless USAID determines such treatment is an appropriate way to ensure a successful GDA and the achievement of USAID's development objectives. (See [Section G](#) and [GDA APS FAQs](#)).

The question about awardees providing leverage often arises with regard to funding or other resources an NGO or HEI has previously received from corporations, individuals or private foundations. In most instances, such resources did not originate for the explicit purpose of supporting and advancing the GDA or were not received as a result of the active engagement of the private sector partner in the design and development of the GDA in question. As a result, they could not be counted toward the private sector resource requirement.

**G. What is the Relationship between Leverage and Cost-Share?** While both leverage and cost-share refer to a portion of project or program costs not borne by the United States Government, and while both can be counted toward the overall resource mobilization achieved under a GDA, they are distinguished in three very important ways:

**1. Cost-share is binding and auditable under an award agreement; leverage is not.**

Leverage describes the quantifiable contributions provided by resource partners to a GDA. Unlike cost sharing or matching, which is an important element of the USAID/grantee relationship, leverage is not intended to be binding or auditable. It is not subject to traditional audit standards as it is not intended to be held to the same level of accountability as cost-share or matching.<sup>92</sup> However, given the strategic and programmatic value that leverage contributes to a GDA, applicants are expected to identify what enhanced results are expected from any leverage proposed and provide and implement a mechanism for tracking / reporting that contribution.

**2. Determination via APS, CFR, or ADS** - The determination of what constitutes **private sector leverage** under this GDA APS is based on the information set forth in this APS; the determination of what constitutes cost-share is set forth in (22 CFR 200.306 and ADS 303.3.10).

**3. Standard Practice** - Typically, resources contributed and counted by a partner as cost-share will not also be counted as a contribution by that partner toward meeting the private sector leverage requirement, unless USAID determines such treatment is an appropriate way to ensure a successful GDA and the achievement of USAID's development objectives.

Prospective awardees sometimes have difficulty distinguishing cost-share and leverage. Part of the challenge arises from the fact that certain types of resources, such as personnel time or facilities use, may be acceptable as cost-share or leverage. However, as noted in this section, the partners must decide whether such resources will be counted as leverage or cost-share. Under

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<sup>92</sup> As noted in ADS 303 as well, cost-share "refers to the resources a recipient contributes to the total cost of an agreement. Cost share becomes a condition of an award when it is part of the approved award budget. The cost share must be verifiable from the recipient's records; for U.S. organizations it is subject to the requirements of 22 CFR 200.306, and for non-U.S. organizations it is subject to the Standard Provision, "Cost Share"; and can be audited."

any given GDA, for any given partner, leverage and cost-share are typically mutually exclusive. If personnel time is counted as an organization's cost-share contribution, it typically cannot be counted as that organization's leverage contribution.

In some cases, as part of an effort to ensure that proposed leverage materializes over the course of a GDA, a private sector partner will be expected to provide its resources and contributions (the leverage) to an awardee implementing partner and that awardee implementing partner will be required to treat such anticipated resources as part of its cost-share contribution and commitment under the award. This provides an incentive to the awardee to ensure the reliability and contribution of the leverage since the awardee's proposed cost-share is auditable.

USAID may also condition year-to-year funding or other USAID involvement on the achievement of leverage benchmarks. This approach can be used in lieu of or as a complement to the cost-share approach noted in the previous paragraph.

**H. Exceptions** USAID Missions, Bureaus and Independent Offices, in collaboration with and subject to approval by the GDA APS Activity Manager, have the discretion to make limited exceptions to the levels or types of private sector leverage required under this APS. Such exceptions are exceedingly rare. They are typically limited to situations in which the prospective development results and impact are so promising, and the constraints on private sector contributions are so significant, that some sort of limited adjustment to the requirement would be warranted. Exceptions might also be made as part of an effort to test or pilot innovative ideas and approaches that seem exceptionally promising but might be exceptionally difficult to launch absent limited adjustments to the requirement.

While USAID may, on extremely rare occasions, make exceptions, potential applicants under the GDA APS should NOT view this clause as incentive or license to submit concepts that fail to meet the private sector leverage requirements. Failure to meet such requirements remains sufficient basis to forego review of or otherwise reject any concept submitted under this APS. In addition, past experience repeatedly shows that failure to meet the requirement typically reflects a failure to effectively engage the private sector as a core partner in the identification of challenges and opportunities and the determination of prospective market-based approaches to addressing those challenges and seizing those opportunities.

**I. Who is responsible for ensuring, tracking and reporting on the mobilization and use of the leverage?** Unless otherwise stated in pertinent award agreement(s) and/or MOU(s), the entity receiving an award from USAID to implement GDA activities is responsible for ensuring, tracking and reporting on the mobilization and use of the leverage. USAID expects the award recipient to provide such information on a quarterly basis across the fiscal year, with an annual summary.

**J. Additional Questions and Information** If prospective partners have any questions about the private sector leverage requirement or the distinction between leverage and cost-share, please feel free to contact the GDA APS Activity Manager at [gda@usaid.gov](mailto:gda@usaid.gov).